

Message Text

UNCLASSIFIED

PAGE 01 BONN 02643 01 OF 03 171716Z

43

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 L-03 H-02 PA-02 PRS-01 EA-09 SEC-01 /111 W

----- 118789

R 171701Z FEB 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6515

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 03 BONN 02643

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING FEBRUARY
16)

REF.: BONN 2315

1. FOREIGN EXCHANGE MARKET: IN THE AFTERNOON OF FEBRUARY
12 GERMAN FOREIGN EXCHANGE MARKETS BEGAN TO STABILIZE.
THIS WAS ATTRIBUTED TO SUBSTANTIAL INTER-
VENTIONS BY CENTRAL BANKS ON FEBRUARY 12; THE BUNDESBANK
ALONE REPORTEDLY SOLD AT THE OFFICIAL FIXING US DOLLARS
AND FRENCH FRANC IN AMOUNTS OF \$36.5 MILLION AND FF 80
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 02643 01 OF 03 171716Z

MILLION. IN THE PERIOD FEBRUARY 13-17 THE MARKETS CALMED

FURTHER. THE FINANCIAL PRESS ATTRIBUTED THIS TO DENIALS OF A DM REVALUATION AND A FRENCH FRANC DEVALUATION BY SCHMIDT AND GISCARD D'ESTAING AFTER THEIR NICE MEETING, AND A STATEMENT BY THE FINANCE MINISTERS OF THE SNAKE COUNTRIES THAT EXCHANGE RATES WITHIN THE SNAKE ARE "CORRECT AND REALISTIC", AND WOULD NOT BE CHANGED. THE FAZ REPORTED THAT IN BRUSSELS THE FRENCH FINANCE MINISTER FOURCADE PARTICULARLY POINTED TO THE INTERVENTION POLICY OF THE UNITED STATES WHICH, IN HIS VIEW, BY SALES OF DEUTSCHEMARKS CONTRIBUTED TO THE STABILIZATION OF DEUTSCHEMARK AND FRENCH FRANC RATES. ACCORDING TO FOURCADE THIS HAD SHOWN THAT THE RAMBOUILLET AGREEMENT "IS FUNCTIONING PERFECTLY". DURING THE REPORTING WEEK SPOT AND FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:

FORWARD DOLLARS
(DISCOUNTS IN PCT.P.A.)

SPOT DOLLARS ONE-MONTH THREE-MONTH

FEB 9	DM 2.5612	-1.9	-2.0
10	2.5560	-1.6	-2.0
11	2.5460	-1.9	-2.0
12	2.5370	-2.0	-2.2
13	2.5450	-1.7	-2.1
16	2.5479	-1.7	-2.1
17	2.5660	N.A	N.A.

WITHIN THE JOINT FLOAT THE DEUTSCHEMARK WEAKENED SOMEWHAT AFTER FEBRUARY 11. ON FEBRUARY 13 THE DUTCH GUILDER AGAIN EXCEEDED SLIGHTLY ITS DEUTSCHEMARK CENTRAL RATE, AND AT THE END OF THE REPORTING WEEK (FEBRUARY 17) IT WAS TOGETHER WITH THE DEUTSCHEMARK THE STRONGEST FLOAT CURRENCY.

2. MONEY MARKET: IN THE SECOND HALF OF THE LAST WEEK THE GERMAN MONEY MARKET EASED DUE TO THE INFLOWS OF FOREIGN EXCHANGE. AT THE BEGINNING OF THIS WEEK, HOWEVER, THE MARKET TIGHTENED AGAIN. ACCORDING TO THE PRESS THIS WAS DUE TO THE FACT THAT AT THE REQUEST OF THE BUNDESBANK PUBLIC AUTHORITIES SHIFTED DEPOSITS UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 02643 01 OF 03 171716Z

FROM ACCOUNTS HELD WITH COMMERCIAL BANKS TO BUNDESBANK ACCOUNTS. SOME MARKET OBSERVERS CONCLUDE FROM THIS THAT THE BUNDESBANK CURRENTLY DOES NOT WANT AN EASING OF THE MONEY MARKET AND THAT THEREFORE A REDUCTION IN THE REDISCOUNT RATE AT THE COMING (THURSDAY 19) MEETING OF THE CENTRAL BANK COUNCIL MAY NOT BE EXPECTED. ON THE OTHER HAND, ACCORDING TO REPORTS OF THE GERMAN PRESS, AT THE BRUSSEL'S FEBRUARY 16 MEETING OF EEC

FINANCE MINISTERS AND CENTRAL BANK GOVERNORS, PRESSURE
WAS PUT BOTH ON THE FEDERAL REPUBLIC AND THE NETHER-
LANDS TO LOWER INTEREST RATES. DURING THE REPORTING
WEEK FRANKFURT INTER-BANK MONEY RATES DEVELOPED AS
FOLLOWS:

CALL MONEY ONE-MONTH MONEY THREE-MONTH MONEY

FEB 9	3.4-3.6	3.60	3.80
10	3.3-3.4	3.55	3.80

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 02643 02 OF 03 171720Z

43

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 L-03 H-02 PA-02 PRS-01 SEC-01 /111 W

----- 118828

R 171701Z FEB 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6516

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 02 OF 03 BONN 02643

11	3.2-3.3	3.50	3.70
----	---------	------	------

12	2.5-2.7	3.25	3.60
13	2.8-3.1	3.30	3.65
16	3.0-3.2	3.30	3.65

3. CDU/CSU CRITICIZE BUNDESBANK: ON FEBRUARY 11, 1976, LEADING MEMBERS OF THE CDU/CSU PARLIAMENTARY FACTION MET WITH BUNDESBANK PRESIDENT KLASSEN AND MEMBERS OF THE BUNDESBANK DIRECTORATE. AFTER THE MEETING A SPOKESMAN OF THE FACTION CRITICIZED THE BUNDESBANK'S TOO OPTIMISTIC VIEW OF THE ECONOMIC SITUATION AND PROSPECTS AND LACK OF CONCERN WITH STRUCTURAL WEAKNESSES IN THE GERMAN ECONOMY.
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 02643 02 OF 03 171720Z

4. BUNDESBANK FOREIGN POSITION: IN THE FIRST WEEK OF FEBRUARY (FEBRUARY 1-7) THE BUNDESBANK'S NET FOREIGN POSITION DECLINED BY DM 0.2 BILLION TO DM 84.5 BILLION. GERMANY'S IMF GOLD TRANCHE POSITION INCREASED BY DM 6 MILLION AND LIQUID FOREIGN EXCHANGE HOLDINGS BY DM 11 MILLION. GROSS LIABILITIES DECLINED BY ABOUT DM 220 MILLION.

5. BANK LIQUIDITY: IN THE FIRST WEEK OF FEBRUARY BANK LIQUIDITY INCREASED BY DM 0.8 BILLION. THE BASIC FACTOR INCREASING LIQUIDITY WERE USUAL DECLINES IN OFFICIAL NET ASSETS HELD AT THE BUNDESBANK (DM 2.0 BILLION) AND IN CURRENCY IN CIRCULATION (DM 0.9 BILLION) AT THE BEGINNING OF A MONTH. LIQUIDITY WAS REDUCED BY A DM 0.6 BILLION INCREASE IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK AND OTHER, UNSPECIFIED FACTORS (DM 1.5 BILLION, NET). THE BANKS USED THE INCREASE IN LIQUIDITY TO REDUCE REDISCOUNT BORROWINGS AT THE BUNDESBANK.

6. BOND MARKET: ON FEBRUARY 23 THE KREDITANSTALT FUER WIEDERAUFBAU (KfW; RECONSTRUCTION LOAN CORPORATION) WILL OFFER A DM 400 MILLION LOAN (COUPON 8 PERCENT, ISSUE PRICE 100, MATURITY 8 YEARS NON-CALLABLE, YIELD TO MATURITY 8 PERCENT). THE DM 50 MILLION LOAN OF THE HITACHI SHIPBUILDING ENGINEERING COMPANY, LTD., OSAKA WILL BE SOLD AT PAR (FOR OTHER CONDITIONS SEE BONN 2315). THE GOVERNMENT OF NEW ZEALAND INTENDS TO OFFER A DM 100 MILLION LOAN. THE COUPON IS EXPECTED TO BE 7 3/4 PERCENT, THE MATURITY 7 YEARS, NON-CALLABLE. FINAL CONDITIONS OF THE LOAN ARE EXPECTED TO BE DETERMINED ON FEBRUARY 26.

7. BUNDESBANK MONTHLY REPORT NOTES INCREASING EVIDENCE OF ECONOMIC RECOVERY: IN ITS FEBRUARY REPORT JUST RE-

LEASED, THE BUNDESBANK NOTES THAT THE ECONOMIC REVIVAL IN THE FRG HAS BECOME MORE PRONOUNCED OF LATE. REAL GNP DURING THE FOURTH QUARTER OF 1975, ON A SEASONALLY-ADJUSTED BASIS, IS ESTIMATED TO HAVE EXCEEDED THIRD QUARTER RESULTS BY 3 PERCENT (THUS RISING AT AN ANNUAL UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 02643 02 OF 03 171720Z

RATE OF 12 PERCENT). THE BUNDESBANK EMPHASIZES THAT INDUSTRIAL PRODUCTION, CAPACITY UTILIZATION, WORKING HOURS AND PRODUCTIVITY ALL INCREASED IN LATE 1975 AND AS ADDITIONAL EVIDENCE OF THE RECENT PICK-UP OF ECONOMIC ACTIVITY CITES THE MARKED GROWTH OF PRIVATE SECTOR DEMAND FOR CREDITS AND ACCELERATING TAX RECEIPTS. THE MOST IMPORTANT FACTOR BEHIND THE PICK-UP IS SEEN IN SUBSIDING CONSUMER RESTRAINT, REFLECTED IN GROWING PURCHASES, PARTICULARLY OF CLOTHING AND DURABLE CONSUMER GOODS, AND A DECLINING SAVINGS RATIO. DURING THE FOURTH QUARTER, SAVINGS (SEASONALLY-ADJUSTED) AMOUNTED TO 14.5 PERCENT OF DISPOSABLE INCOME, 2 PERCENTAGE POINTS LESS THAN DURING THE FIRST HALF OF THE YEAR. ADDITIONAL STIMULI CAME FROM PRIVATE DEMAND FOR CONSTRUCTION. THE BANK ALSO NOTES AN APPRECIABLE SALUTORY IMPACT ON THE BUSINESS CLIMATE FROM THE REVIVAL OF FOREIGN DEMAND EVIDENCED SINCE MID-1975. THE DECEMBER SETBACK IN EXPORT ORDERS IS HELD TO BE DUE TO TEMPORARY INFLUENCES. AT ANY RATE, THE BANK ARGUES, REPORTS ON THE UNDERLYING BUSINESS SITUATION ABROAD DO NOT AUGER FOR A RENEWED WEAKENING OF GERMAN EXPORTS. THE BANK ALSO NOTES A SOMEWHAT BETTER INVESTMENT CLIMATE, BUT WARNS THAT IN THE FACE OF CONTINUED LOW CAPACITY UTILIZATION AND STILL UNSATISFACTORY PROFITS, "A LASTING IMPROVEMENT OF INVESTMENT PROPENSITY" REQUIRES FURTHER PROFIT INCREASES WHICH, IN TURN, REQUIRE MODERATE PAY BOOSTS AND CONCOMITANT FURTHER PRODUCTIVITY GAINS, THE BANK EMPHASIZES.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 02643 03 OF 03 171722Z

43

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 L-03 H-02 PA-02 PRS-01 SEC-01 /111 W

----- 118868

R 171701Z FEB 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6517

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 03 OF 03 BONN 02643

8. ECONOMIC INDICATORS RELEASED THIS WEEK: ACCORDING TO FIRST PRELIMINARY ESTIMATES OF THE FEDERAL STATISTICAL OFFICE, INSOLVENCIES IN THE FRG, WHICH CLIMBED TO A POST-WAR RECORD OF 7,722 IN 1974, INCREASED FURTHER IN 1975, I.E., BY 19.1 PERCENT FOR A TOTAL OF 9,195. ACCORDING TO CENTRAL BANK STATISTICS, RETAIL SALES IN NOVEMBER 1975 SURPASSED COMPARABLE 1974 LEVELS BY 6.9 PERCENT IN TERMS OF CURRENT PRICES; ADJUSTED FOR PRICE INCREASES, THE YEAR-TO-YEAR RATE OF GROWTH IN NOVEMBER CAME TO 2.4 PERCENT. THE INDEX OF ACTUAL INDUSTRIAL WAGE PAYMENTS (1962100) ROSE FROM 326.2 IN OCTOBER TO 361.5 IN NOVEMBER 1975; HOWEVER, THE UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 02643 03 OF 03 171722Z

RATE OF INCREASE OVER COMPARABLE 1974 LEVELS DROPPED FROM 7.3 PERCENT IN OCTOBER TO 6.1 PERCENT IN NOVEMBER. AT THE END OF DECEMBER 1975 OUTSTANDING BUSINESS LOANS (DATA ARE AVAILABLE ONLY ON A QUARTERLY BASIS) REACHED

DM 396.0 BILLION; DM 14.2 BILLION HIGHER THAN AT THE
END OF SEPTEMBER 1975 AND 2.9 PERCENT HIGHER THAN AT THE E
END OF 1974. OUTSTANDING INSTALMENT CREDITS AND OTHER
CONSUMER CREDITS REACHED DM 79.1 BILLION; DM 4.2
BILLION HIGHER THAN AT THE END OF SEPTEMBER 1975 AND
13.2 PERCENT ABOVE THEIR LEVEL AT THE END OF 1974.
OUTSTANDING MORTGAGE DEBT AMOUNTED TO DM 208.4 BILLION,
OR DM 4.0 BILLION HIGHER THAN AT THE END OF SEPTEMBER AND
6.1 PERCENT ABOVE ITS LEVEL AT THE END OF 1974.
HILLENBRAND

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, FINANCIAL MARKETS, CURRENCY STABILITY, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BONN02643
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760059-0220
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760245/aaaabmtu.tel
Line Count: 341
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ullricre
Review Comment: n/a
Review Content Flags:
Review Date: 14 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 JUL 2004 by oatisao>; APPROVED <07 SEP 2004 by ullricre>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL DEVELOPMENTS (WEEK ENDING FEBRUARY 16)
TAGS: EFIN, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006